

HOUSE BILL REPORT

ESB 5764

As Reported by House Committee On:
Higher Education

Title: An act relating to innovate Washington.

Brief Description: Creating innovate Washington, which includes the Washington clean energy partnership as a programmatic activity.

Sponsors: Senators Kastama, Chase, Shin, Kilmer, Brown, Conway and McAuliffe.

Brief History:

Committee Activity:

Higher Education: 3/21/11, 3/24/11 [DPA].

**Brief Summary of Engrossed Bill
(As Amended by House)**

- Establishes Innovate Washington as a state agency, focused on growing the innovation-based economy of the state and responding to technology transfer needs.
- Establishes Innovate Washington as the successor to the Washington Technology Center and the Spokane Intercollegiate Research and Technology Institute.
- Requires Innovate Washington to develop a five-year business plan, including a plan for operating additional facilities; methods of working with community and technical colleges; and outreach to firms in Innovation Partnership Zones.
- Creates the Washington Clean Energy Partnership as a programmatic activity of Innovate Washington and a Clean Energy Sector advisory committee is established.
- Provides additional provisions to support the programmatic activities of Innovate Washington.

HOUSE COMMITTEE ON HIGHER EDUCATION

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: Do pass as amended. Signed by 11 members: Representatives Seaquist, Chair; Carlyle, Vice Chair; Haler, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Fagan, Probst, Reykdal, Sells, Springer, Warnick and Zeiger.

Minority Report: Do not pass. Signed by 2 members: Representatives Buys and Hasegawa.

Staff: Madeleine Thompson (786-7304).

Background:

The Legislature created the Washington Technology Center (WTC) in 1983 and the Spokane Intercollegiate Research and Technology Institute (SIRTI) in 1998. Both have a mission to conduct and commercialize research and to strengthen university-industry relationships through research that is primarily of interest to Washington-based companies or state economic development programs. The WTC's focus is statewide while the SIRTI's focus is in eastern Washington.

The WTC operates a Small Business Innovation Research (SBIR) Assistance Program and the SIRTI has taken part in the program by assisting small businesses in applying for federal SBIR grants. The WTC has a statutory obligation to operate the Investing in Innovation Grants Program, though funding has never been appropriated for its operation.

The Energy Freedom Program encourages the use of bioenergy and accelerates energy efficiency improvements, renewable energy improvements, and deployment of innovative energy technologies. The program provides financial and technical assistance to cities, counties, ports, and other political subdivisions of the state. The Legislature originally appropriated \$23 million for low-interest loans and grants through the Energy Freedom Account. The Green Energy Incentive Account and the Energy Recovery Account are also established within the program.

The Clean Energy Leadership Council (CELC) was created in 2009 to develop strategies and recommendations for growing the state's clean energy sector. The CELC was directed to identify the clean energy industry segments and where the state has competitive advantages or emerging strength in research, development, or deployment of clean energy solutions.

Summary of Amended Bill:

Innovate Washington.

Innovate Washington is created as the successor agency to the WTC and the SIRTI and is the primary state agency focused on growing the innovation-based economy in the state and responding to the technology transfer needs of existing businesses in the state.

Innovate Washington must provide and facilitate research supportive of state industries; provide mechanisms for collaboration between technology-based industries and higher education institutions; help businesses secure research funds, and develop and integrate

technology into new products; offer technology transfer and commercialization training opportunities; and administer technology and innovation grant and loan programs. Innovate Washington must develop a five-year business plan to be updated every even-numbered year. The first plan is due by December 1, 2012, and must include a plan for operating additional facilities in Vancouver, the Tri-Cities, and Bellingham. The plan must also include methods of working with community and technical colleges, including Centers of Excellence; methods to ensure access to Innovate Washington's services by clients of Impact Washington; and mechanisms for outreach to firms in Innovation Partnership Zones.

A board of directors (board) governs Innovate Washington. The board must convene a group to determine the best method to develop and make available a database of in-state technologies and inventions. The board must report to the Governor and the Legislature every year on customer satisfaction and a variety of outcome measures. The board is authorized to employ staff and engage technical experts; create advisory committees; enter into agreements with other entities to carry out any of its programs; solicit funds from a variety of sources; establish affiliated organizations, special funds, and controls as it sees fit; and delegate any of its powers and duties if consistent with the purposes of the act.

Innovate Washington must operate a small business innovation assistance program to help in the procurement of awards from federal small business research programs.

The Washington Clean Energy Partnership.

The Washington Clean Energy Partnership (CEP) is created as a programmatic activity of Innovate Washington. It must develop and manage initiatives to expand the clean energy sector in Washington. As funds are available, the duties of the CEP include:

- implementing CELC recommendations, which include the following market-driven initiatives: combined energy efficiency, green buildings, and smart grid; renewable energy resource optimization and smart grid deployment; and bioenergy deployment acceleration;
- assessing potential opportunities and adding market-driving initiatives as justified by comprehensive analysis;
- serving as the lead entity and primary point of contact for developing and coordinating clean energy-related initiatives and funding programs for expanding the clean energy sector;
- securing a minimum of 50 percent non-state funds for CEP projects; and
- working with public and private utilities and the Utilities and Transportation Commission to develop recommendations to align state policies and investments.

The CEP Fund is created to receive state and federal funds, grants, and contributions for the CEP. Only the Director of Innovate Washington may authorize expenditures from the account. The policies and procedures developed by the Director of the Department of Commerce for funding under the Energy Freedom Account, the Green Energy Incentive Account, and the Energy Recovery Act Account must be approved by the CEP.

Centers of Excellence are to broker assistance available for firms in targeted industries and work with Innovate Washington to develop methods to identify businesses within a targeted industry that could benefit from the services of Innovate Washington.

The Investing in Innovation Grants Program is changed to the Investing in Innovation Program. The program is operated by Innovate Washington and may make both loans and grants using funds raised by the board of directors. Proprietary information of those applying or receiving funding through the Investing in Innovation Program is not subject to public disclosure. The Investing in Innovation Account is established in the custody of the State Treasurer.

Amended Bill Compared to Engrossed Bill:

The mission of Innovate Washington is modified to be the primary agency focused on growing the innovation-based economic sectors of the state and additional duties are added for Innovate Washington with regard to facilitating public-private partnerships that support the growth of strategic, innovation-based sectors. The requirement to provide research and technology opportunities is replaced with a requirement to facilitate research and technology transfer opportunities. Securing federal and private funds are to support product research and commercialization, not just research. Priority criteria related funding awarded to enterprises by Innovate Washington are added.

The requirement to make facilities available to any higher education institution in the state is replaced with permission to make facilities available to any research institution in the state.

The explicit mention of Washington State University and Western Washington University are removed from the direction to create a plan for additional facilities in the Tri-Cities, Vancouver, and Bellingham.

The chairs of the sector advisory committees for Innovate Washington must be ex officio, voting members, and the seven members appointed by the Governor representing technology-based and innovative firms are not required to be from manufacturing firms. The contracting of legal counsel is removed from the list of the board's powers.

A Clean Energy Sector Advisory Committee is created with up to 20 members appointed by the Innovate Washington Executive Director.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect on August 1, 2011.

Staff Summary of Public Testimony:

(In support) Innovate Washington aligns the missions of the Washington Technology Center and the Spokane Intercollegiate Research and Technology Institute to better deliver services to small businesses in Washington. Washington has been one of the strongest innovation economies in the state. A research report found that Washington ranks one of the highest in

relation to innovation, but when it comes to commercialization it does not rank as one of the highest. This state agency, built from a strong background of assisting small businesses, will help them by connecting them with university intellectual property and with government research grants. This new agency will also focus on cluster development. Clean energy is one of the clusters that this bill highlights and is one of many that this new state agency will help to develop. As a leader in clean energy, Washington has the ability to develop into a global leader in this sector. This helps to repurpose to separate organizations and create a common purpose to serve the entire state, and would result in fewer state employees in the long run. The kinds of economic development opportunities developed by Innovate Washington could bring back \$1.50 for every \$1 spent. It is intended to be a multiplier of state funds. This proposal reduces the current fragmented system and is a result of an accumulation of work that has been going on for over a year. This creates a plan for keeping companies in the state. The proposal is not asking for new tax breaks. Innovate Washington will help to move companies to a point at which they will bring in investment and grow. This is important for aerospace, bioscience, life science, and other clusters.

(Opposed) None.

Persons Testifying: Senator Kastama, prime sponsor; Kim Zentz, Spokane Intercollegiate Research Technology Institute; Chris Coleman, Washington Technology Center; Marc Cummings, Clean Energy Leadership Council and Pacific Northwest National Laboratory; Lew McMurrin, Washington Technology Industry Association; John Gardner, Washington State University; and Miguel Perez-Gibson, Climate Solutions.

Persons Signed In To Testify But Not Testifying: Margaret Shepherd, University of Washington.